

July 12, 2006

To: Ms. Linda Bluestein
U.S. Department of Energy,
Office of Energy Efficiency and Renewable Energy,
Freedom CARB and Vehicle Technologies Program,
Mailstop EE-2G, Room 5F-034,
1000 Independence Avenue, S.W.
Washington DC 20585-0121

From: William R. West, Southern California Edison
Manager, Electric Transportation
Southern California Edison
2244 Walnut Grove Ave.
Rosemead, CA 91770
626-302-9534

Re: SCE Testimony on the Department of Energy EPO Act Waiver NOPR

BACKGROUND

Since 1996, Southern California Edison (“SCE”) has been a national leader in support of and compliance with the 1992 Energy Policy Act’s alternative fuel vehicle fleet requirements programs. We were one of the first utilities in the country to declare our compliance strategy (“EVs”) and have consistently led the nation in deployment, operation and demonstration of advanced alternative fuel technology.

On June 23, 2006 DOE issued a Notice of Proposed Rulemaking (“NOPR”) to allow a new type of EPO Act compliance flexibility for “covered” fleets. SCE’s Electric Transportation Department (“ET”) has been the lead on EPO Act fleet compliance strategy since 1996, and has worked collaboratively

with other SCE departments in complying with this important law. The new alternative compliance waiver was required by Section 703 of the Energy Policy Act of 2005. Section 703 reflects the recognition by Congress that in addition to encouraging alternative fuel vehicle technology, covered fleet operators can make an important contribution in reducing consumption of petroleum fuels. SCE and others have long called for the introduction of additional compliance flexibility into the EAct programs in order to enable the goals of the programs to be met in the most effective way possible.

SCE will be filing written comments on the NOPR, and we appreciate the opportunity to participate in today's workshop.

COMMENTS on the Notice of Proposed Rulemaking:

SCE supports the overall goals and objectives of the proposed regulations to allow a state or covered fleet to submit a waiver application to DOE in lieu of complying with sections 501 or 507(o) of the EAct 92. SCE believes that the intent of the waiver provisions now contained in section 514(a) of EAct 2005 was to provide states and covered fleets greater flexibility to meet their EAct requirements, while at the same time achieving equal to or greater than the petroleum reduction that would result from 100% compliance with alternative fuel vehicles. In this way, the EAct programs will help to address this nation's growing energy challenges.

Of particular importance, this alternative compliance program provides a mechanism to incorporate the introduction of hybrid electric vehicles,

including plug-in hybrids, into the EPCA 92 programs. In this way, the waiver program can continue the valuable “technology push” that has always been at the heart of alternative fuel vehicle programs.

SCE appreciates the efforts that the DOE and the staff of the Office of FreedomCar and Vehicle Technologies have made to develop a proposed rule in a timely manner and for their willingness to work with fleets. Rulemaking we believe is a particularly appropriate means to provide a blueprint to regulated entities that will enable them to understand and take advantage of the alternative compliance waiver option.

SCE SUPPORTS DOE’S LANGUAGE IN THE PROPOSED RULE IN MANY AREAS. FOR EXAMPLE:

1. We support DOE’s interpretation of the term “cumulative” in section 490.802 (a) and section 490.803(d) of the proposed regulations. SCE believes that the final waiver rule must achieve the same or greater petroleum reductions as the existing alternative fuel vehicle (“AFV”) acquisition program. It is our opinion that the language in the proposed rule correctly interprets the intent of section 703 and should result in equal to or greater petroleum reductions than are occurring under the existing fuel providers and state fleet acquisition programs.

[Note “Cumulative” essentially means lifetime petroleum reductions from each new light-duty AFV that the fleet would have had to purchase under the original 1992 Energy Policy Act programs.]

2. We support DOE's proposal for rollover of excess petroleum reduction to future years contained in section 490.806. SCE believes that this provision in the proposed rule adds greater flexibility to the program and will result in greater petroleum reductions over time.

HOWEVER, EDISON BELIEVES THAT THE PROPOSED RULE COULD BE IMPROVED WITH THE FOLLOWING CHANGES:

1. Use of AFV credits in the alternative compliance program. We support the proposal in section 490.805 (a) to allow the use of some alternative fuel vehicle credits to meet the petroleum reduction requirement. This approach has two benefits: added flexibility and a continued emphasis on the AFV aspects of the program. We would recommend that DOE state more clearly that unmet requirements under the Waiver program can be met by credits generated under subpart F. To achieve this clarity we would recommend that DOE delete the following language in section 490.805 (a)(1) "and demonstrate that it did everything under its control to meet its petroleum reduction requirement." We think this language is overly restrictive and impossible to demonstrate. This change would allow purchase of a limited number of credits to meet any possible shortfall under the Waiver.
2. In section 490.803 (c) DOE is asking for a level of detail in the waiver application from fleets that will be difficult, if not impossible, to provide. In particular, we are concerned that it may be difficult for a fleet to provide verifiable data on its overall light-duty vehicle petroleum and diesel use. Not all fleets have sophisticated fuel use

tracking systems and often central fuel tanks are used by varying numbers of vehicle and vehicle types (light-duty, medium-duty, heavy-duty) to refuel, thus making it difficult to provide verifiable fuel use by each vehicle type.

We would also encourage DOE to provide more options under this section. We will provide specific ideas in our written comments.

3. The final rule should permit fleets to include non-road vehicles such as fleet forklifts in their petroleum reduction plans under section 490.803(d). DOE's current proposed language seems to exclude non-road vehicles. The proposed rule describes the petroleum reduction plan as involving reductions in petroleum use by "motor vehicles" in section 490.803(d)(1)(ii) and requires reductions to be "transportation related" in section 490.803 (d)(2).

Forklifts and similar non-road equipment are housed in most utility's transportation services or fleet services department. Since these non-road vehicles can account for significant petroleum use and emissions, we recommend DOE clarify section 490.803 to allow for non-road vehicles.

4. A greater level of standardization could assist both in the administrative feasibility of the program and in assuring uniform compliance. While DOE has tried to make the rule flexible by allowing a case-by-case approach, SCE is concerned this may cause confusion and possibly lead to compliance inequity around the country. SCE supports a more

standardized approach which would make it easier for fleets to prepare and submit a waiver application and make it easier for DOE to review a fleet's application.

California utilities hired TIAX to develop a standardized methodology for use in connection with the waiver program, which relies on credible national utility fleet data, USEPA data and other sources to develop a more standardized data base. We have asked TIAX to provide input for consideration in this Proposed Rulemaking on standardization and other technical issues.

5. Besides the petroleum reduction objectives of EPCa, there are broader environmental implications of waivers. SCE believes that the intent of EPCa is not just petroleum reductions. The other considerations include:
 - a. The need to continue to focus on light-duty vehicles.
 - b. The need to advance technology in an early-adopter fleet.
 - c. The need to reduce all emissions.

Waiver requirements should not reduce incentives for fleets to be early-adopters and demonstrators of promising fuel-efficient, light-duty vehicle technologies, such as hybrids and plug-in hybrids. Because DOE is using its rulemaking authority, creative solutions should be possible.